

COMOX STRATHCONA
REGIONAL HOSPITAL DISTRICT



FINANCIAL STATEMENTS
Year ended December 31, 2015

Comox-Strathcona Regional Hospital District

2015 Board of Directors

Area A Baynes Sound-Denman/Hornby	B. Jolliffe
Area A Kyuquot/Nootka-Sayward	G. Whalley
Area B Cortes Island	N. Anderson
Area B Lazo North	R. Nichol
Area C Discovery Islands - Mainland Inlets	J. Abram
Area C Puntledge - Black Creek	E. Grieve
Area D Oyster Bay - Buttle Lake	B. Leigh
City of Campbell River	R. Kerr
City of Campbell River	C. Cornfield (Chair)
City of Campbell River	M. Babchuk
City of Campbell River	M. Wright (Alternate)
City of Campbell River	L. Samson
City of Courtenay	L. Jangula
City of Courtenay	E. Theos
City of Courtenay	E. Eriksson (Vice Chair)
Town of Comox	M. Swift (Alternate)
Town of Comox	M. Grant
Village of Cumberland	R. Kishi (Alternate)
Village of Gold River	R. Unger
Village of Sayward	D. Mason (Alternate)
Village of Tahsis	J. Schooner
Village of Zeballos	J. Colborne

**Comox-Strathcona Regional Hospital District
Financial Statements
Year ended December 31, 2015**

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Comox-Strathcona Regional Hospital District

Management's Responsibility for Financial Reporting

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and are outlined under Significant Accounting Policies in the notes to the financial statements. Management is responsible for the integrity and objectivity of these statements as well as the supplementary schedules.

Management maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and reported properly. Management also maintains a program of proper business compliance.

The board of directors is responsible for reviewing and approving the financial statements and for ensuring that management fulfils its responsibilities for financial reporting and internal control.

BDO Canada LLP, Chartered Professional Accountants, the hospital district's independent auditor, have conducted an examination of the financial statements in accordance with Canadian generally accepted auditing standards and have expressed their opinion in a report accompanying this statement.

A handwritten signature in black ink, appearing to read 'E. Dunlop', is written over a light grey rectangular background.

E.J. Dunlop, CPA, CGA
Officer responsible for Financial Administration,
pursuant to Section 237 of the Local Government Act

April 4, 2016



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Independent Auditor's Report

To the Board of Directors Comox-Strathcona Regional Hospital District

We have audited the accompanying financial statements of the Comox-Strathcona Regional Hospital District, which comprise the Statement of Financial Position as at December 31, 2015, and the Statement of Operations and Cash Flows for the year then ended, and a summary of significant accounting policies, and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

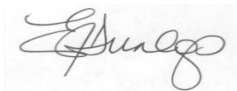
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Comox-Strathcona Regional Hospital District as at December 31, 2015, and the results of operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants
Vancouver, British Columbia
April 14, 2016

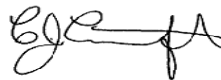
Comox-Strathcona Regional Hospital District
Statement of Financial Position
As at December 31, 2015

	<u>2015</u>	<u>2014</u>
Financial Assets		
Cash and temporary investments (Note 3)	\$ 13,187,134	\$ 40,495,829
Accounts receivable	<u>293,884</u>	<u>302,907</u>
Total Financial Assets	<u>13,481,018</u>	<u>40,798,736</u>
Liabilities		
Accounts payable	159,537	281,240
Accrued interest	108,112	41,678
Short-term debt (Note 4)	60,888,437	-
Long-term debenture debt (Schedule D) (Note 5)	<u>858,777</u>	<u>1,327,308</u>
Total Liabilities	<u>62,014,863</u>	<u>1,650,226</u>
Accumulated Surplus (Deficit) (Note 7)	<u>\$ (48,533,845)</u>	<u>\$ 39,148,510</u>

Commitments (Schedule F) (Note 8)



E.J. Dunlop, CPA, CGA
Officer responsible for Financial Administration



C. Cornfield
Chair

The accompanying notes are an integral part of these financial statements.

Comox-Strathcona Regional Hospital District
Statement of Operations
As at December 31, 2015

Revenue	2015 <u>Budget</u> (Note 11)	2015 <u>Actual</u>	2014 <u>Actual</u>
Requisitions (Schedule E)	\$ 17,000,000	\$ 17,000,000	\$ 16,699,999
Grants in lieu of taxes	82,000	289,126	291,181
Interest revenue	60,000	217,265	1,044,339
Debenture refunds and other revenue	-	14,854	167,117
Total Revenue	<u>17,142,000</u>	<u>17,521,245</u>	<u>18,202,636</u>
Expenses			
Net debenture debt interest	293,338	149,876	169,174
Short-term debt interest	817,595	449,610	-
Administration and governance	314,100	202,085	193,138
Grants to health care facilities (Schedule F) (Note 10)	<u>105,457,088</u>	<u>104,402,029</u>	<u>54,040,037</u>
Total Expenses	<u>106,882,121</u>	<u>105,203,600</u>	<u>54,402,349</u>
Annual Deficit	(89,740,121)	(87,682,355)	(36,199,713)
Accumulated Surplus, beginning of year	<u>39,148,510</u>	<u>39,148,510</u>	<u>75,348,223</u>
Accumulated Surplus (Deficit), end of year	<u>\$ (50,591,611)</u>	<u>\$ (48,533,845)</u>	<u>\$ 39,148,510</u>

The accompanying notes are an integral part of these financial statements.

Comox-Strathcona Regional Hospital District
Statement of Cash Flows
As at December 31, 2015

	<u>2015</u>	<u>2014</u>
Operating Transactions		
Annual Deficit (Statement 2)	\$ (87,682,355)	\$ (36,199,713)
Changes in non-cash operating balances		
Accounts receivable	9,023	(3,619)
Accounts payable	(121,703)	(110,544)
Accrued interest	66,434	(13,131)
Item not utilizing cash		
Actuarial adjustment	<u>(139,880)</u>	<u>(249,880)</u>
Cash Applied to Operating Transactions	<u>(87,868,481)</u>	<u>(36,576,887)</u>
Financing Transactions		
Short-term debt proceeds	74,388,437	-
Short-term debt repayments	(13,500,000)	-
Long-term debt principal repayments	<u>(328,651)</u>	<u>(571,557)</u>
Cash Provided by (Applied to) Financing Transactions	<u>60,559,786</u>	<u>(571,557)</u>
Change in Cash and Temporary Investments	(27,308,695)	(37,148,444)
Cash and Temporary Investments, beginning of year	40,495,829	77,644,273
Cash and Temporary Investments, end of year	<u>\$ 13,187,134</u>	<u>\$ 40,495,829</u>

The accompanying notes are an integral part of these financial statements.

Comox-Strathcona Regional Hospital District
Notes to Financial Statements
December 31, 2015

1. Purpose

British Columbia Hospital Districts

The Comox-Strathcona Regional Hospital District was incorporated in 1967 under the Hospital District Act. The letters patent were amended in 2008, subsequent to the restructure of the Comox Strathcona Regional District, to recognize directors of both the Comox Valley Regional District and Strathcona Regional District as members of the board of the Comox-Strathcona Regional Hospital District. Its principal activities are to finance capital construction projects and capital equipment purchases for health care facilities within the Comox Valley and Strathcona regional districts. These activities are funded through property taxes and debenture debt.

2. Significant Accounting Policies

a) **Basis of Presentation**

The financial statements have been prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada.

b) **Reserve for Future Expenditures and Future Major Projects**

Reserve funds are held for future grants of capital equipment and capital construction projects.

c) **Use of Estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant areas requiring management estimates are the determination of grant in lieu revenue, actuarial adjustments and collectability of accounts receivable. Actual results may vary from the estimates and adjustments will be reported and reflected in operations as they become known.

d) **Financial Instruments**

The regional hospital district's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable, accrued interest and long-term debenture debt. Unless otherwise noted, it is management's opinion that the regional hospital district is not exposed to significant interest, currency or credit risks arising from these financial instruments.

e) **Revenue Recognition**

The regional hospital district recognizes requisition revenue based on assessments issued to the property owners in its service area. These assessments are issued on an annual basis to meet the expenditures of the regional hospital district. Interest revenue is recorded when earned. Grants in lieu of taxes are recorded on an accrual basis when it is possible to reasonably estimate the amounts receivable.

3. Cash and Temporary Investments

Included in the 2014 cash and temporary investments was \$11,719,909 of temporary investments held with the Municipal Finance Authority in the money market and intermediate funds. These investments were carried at market value which approximated cost and were being held in reserve for the north island hospitals project requirements. These funds were fully expended in 2015 as the north island hospitals project progressed. The net rate of return earned on the regional hospital district's portfolio in 2015 was approximately 2.89% (2014 - between 1.09% and 4.01%).

**Comox-Strathcona Regional Hospital District
Notes to Financial Statements
December 31, 2015**

4. Short-Term Debt

Short-term debt consists of borrowing from the Municipal Finance Authority in 2015 for the purpose of interim financing for the north island hospitals project. The debt bears interest at a variable rate which is paid monthly. The rate at December 31, 2015 was 1.38%. Regular principal payments are not required but the amounts must be repaid within five years of borrowing. A loan authorization bylaw is in place for the short-term debt which provides the authority for it to be converted to debenture debt, which is anticipated when the hospitals are completed in 2017.

Interest on short-term debt, recorded in the Statement of Operations in 2015 is \$449,610 (2014 - nil).

5. Long-Term Debenture Debt

Details of long-term debt, including maturity dates, interest rates and outstanding amounts, are summarized on Schedule D – Schedule of Long-Term Debenture Debt.

Payments of principal and actuarial on issued debt of the regional hospital district are approximately as follows:

2016	\$427,764
2017	93,379
2018	97,115
2019	26,103
2020	27,147
Future years	187,269
	\$858,777

Interest on long-term debt, net of actuarial adjustments, recorded in the Statement of Operations in 2015 is \$289,756 (2014 - \$169,174).

6. Municipal Finance Authority Debt Reserve Fund

The Municipal Finance Authority (MFA) requires the regional hospital district to establish a fund equal to one-half the annual installment of principal and interest of debentures issued. The cash portion of the fund is equal to one percent of the total principal with the remainder made up of a non-interest bearing demand note.

Monies paid into the debt reserve fund and interest earned thereon are obligations of MFA to the regional hospital districts. Due to their contingent nature, neither the asset nor liability is recorded in the financial statements. These amounts as at December 31, 2015 amounted to \$288,673 (2014 – \$322,237).

7. Accumulated Surplus

	2015	2014
Revenue Fund (Schedule A)	\$ 117,299	\$ 293,790
Reserve Fund (Schedule B)	13,414,021	40,499,980
Capital and Loan Fund (Schedule C)	(62,065,165)	(1,645,260)
Accumulated Surplus (Deficit), end of year	\$(48,533,845)	\$39,148,510

The amount of the Capital and Loan Fund, which includes debt incurred to finance the capital construction projects and capital equipment purchases for the health care facilities within the regional districts, will be recovered from future tax requisitions.

Comox-Strathcona Regional Hospital District
Notes to Financial Statements
December 31, 2015

8. Commitments

As at December 31, 2015, commitments in connection with various capital grants amounted to \$77,540,623 (2014 - \$181,350,321) as detailed on Schedule F. This represents the Comox-Strathcona Regional Hospital District portion, which is 40% of the total capital cost and includes a remaining commitment of \$76,776,910 for the construction of two hospitals, one sited in the Comox Valley and one in Campbell River, collectively referred to as the north island hospitals project. The hospitals are currently under construction with a projected completion date of 2017. During construction, the regional hospital district's 40% cost share will be funded through short-term loans from the Municipal Finance Authority. Upon completion, the short term loans will be repaid with long term debenture debt.

9. Related Party Transactions

Related parties consist of the municipalities and electoral areas listed on Schedule E. Included in accounts receivable are amounts from related party municipalities totaling \$256,155 (2014 - \$263,213). During the year, administrative support services supplied to the regional hospital district by the Comox Valley Regional District totaled \$151,000 (2014 - \$151,000).

10. Grants to Health Care Facilities

	<u>2015</u>	<u>2014</u>
Campbell River & District General Hospital	\$ 161,999	\$ 548,952
Cortes Health Centre	2,500	13,115
Cumberland Regional Laundry Society	11,820	76,208
Gold River Health Clinic	22,839	(764)
Kyuquot Health Centre	2,500	16,796
North Island Hospitals Project	103,635,000	51,971,925
Sayward Primary Healthcare Clinic	2,500	2,500
St. Joseph's General Hospital	557,871	1,406,305
Tahsis Health Centre	2,500	2,500
Zeballos Health Centre	2,500	2,500
	<u>\$104,402,029</u>	<u>\$54,040,037</u>

11. Restatement of 2015 Budget

The budget amounts presented throughout these financial statements represent the budget bylaw approved by the regional hospital district board on March 12, 2015.

The budget bylaw was prepared on a modified accrual basis while Canadian public sector accounting standards require financial statements to be prepared on a full accrual basis. The budget bylaw anticipated use of surpluses and reserves accumulated in prior years to reduce current year expenditures in excess of current year revenues.

**Comox-Strathcona Regional Hospital District
Notes to Financial Statements
December 31, 2015**

11. Restatement of 2015 Budget (continued)

The summary below reconciles the 2015 adopted budget to the Statement of Operations.

Budget bylaw, surplus for the year	\$	-
Add:		
Debt principal payments		328,651
Transfers to future expenditure reserve		1,298,429
Transfers to major project reserve		13,500,000
Less:		
Short term debt proceeds		(60,943,477)
Transfers from future expenditure reserve		(43,629,934)
Transfers from previous years' surplus		<u>(293,790)</u>
Budgeted Annual Deficit, as restated		<u><u>\$ (89,740,121)</u></u>

12. Statement Presentation

Since the regional hospital district does not have non-financial assets, a Statement of Net Financial Assets has not been presented.

Comox-Strathcona Regional Hospital District
Schedule of Revenue Fund Transactions
As at December 31, 2015

	2015 Budget (Note 11)	2015 Actual	2014 Actual
Revenue			
Requisitions (Schedule E)	\$ 17,000,000	\$ 17,000,000	\$ 16,699,999
Grants in lieu of taxes	82,000	289,126	291,181
Interest revenue	60,000	217,265	1,044,339
Debenture refunds and other revenue	-	14,854	167,117
Total Revenue	17,142,000	17,521,245	18,202,636
Expenses			
Debenture debt interest (Schedule D)	293,338	289,756	419,054
Short-term debt interest	817,595	449,610	-
Administration and governance costs	314,100	202,085	193,138
Contribution to reserves for future major projects	13,500,000	82,655	14,331,510
Contribution to reserves for future expenditures	1,298,429	2,793,479	2,538,366
Total Expenses	16,223,462	3,817,585	17,482,068
Net Revenue	918,538	13,703,660	720,568
Financing Transactions			
Grants funded by operating	(883,677)	(51,500)	(122,053)
Short-term debt repayments	-	(13,500,000)	-
Long-term debt principal repayments (Schedule D)	(328,651)	(328,651)	(571,557)
Total Financing Transactions	(1,212,328)	(13,880,151)	(693,610)
Change in Fund Balance	(293,790)	(176,491)	26,958
Fund Balance, beginning of year	293,790	293,790	266,832
Fund Balance, end of year	\$ -	\$ 117,299	\$ 293,790

**Comox-Strathcona Regional Hospital District
Schedule of Reserve Fund Transactions
As at December 31, 2015**

	<u>2015</u>	<u>2014</u>
Fund Balance, beginning of year	\$ 40,499,980	\$ 77,532,591
Add:		
Transfer from Revenue Fund for future major projects (Schedule A)	82,655	14,331,510
Transfer from Revenue Fund for future expenditures (Schedule A)	2,793,479	2,538,366
Less:		
Grants funded by reserves	<u>(29,962,093)</u>	<u>(53,902,487)</u>
Fund Balance, end of year	<u>\$ 13,414,021</u>	<u>\$ 40,499,980</u>

Comox-Strathcona Regional Hospital District
Schedule of Capital and Loan Fund
As at December 31, 2015

	<u>2015</u>	<u>2014</u>
Fund Balance, beginning of year	\$ (1,645,260)	\$ (2,451,200)
Add:		
Short-term debt repayments	13,500,000	-
Long-term debt principal repayments (Schedule D)	328,651	571,557
Actuarial additions (Schedule D)	139,880	249,880
Less:		
Grants funded by debt	(74,388,436)	(15,497)
Fund Balance, end of year	\$ (62,065,165)	\$ (1,645,260)

Comox-Strathcona Regional Hospital District
Schedule of Long-term Debenture Debt
Municipal Finance Authority (MFA)
As at December 31, 2015

Schedule D

MFA#	Issue Date	Yrs	Int Rate	Beginning Balance	Principal Payments	Actuarial Additions	Ending Balance	Interest Expense
73	Nov 7/00	15	6.35%	\$ 32,538	\$ 17,863	\$ 14,675	\$ -	\$ 20,902
95	Oct 13/05	10	4.17%	22,434	15,762	6,672	-	6,183
99	Nov 7/06	10	4.43%	473,224	169,500	62,472	241,252	90,152
99	Nov 7/06	20	4.43%	335,269	16,304	6,009	312,956	21,507
103	Apr 23/08	10	4.65%	271,866	50,597	13,425	207,844	28,248
624	Nov 29/96	27	7.88%	191,977	58,625	36,627	96,725	122,764
				\$ 1,327,308	\$ 328,651	\$ 139,880	\$ 858,777	\$ 289,756

Comox-Strathcona Regional Hospital District
Schedule of Revenue from Requisitions
As at December 31, 2015

	2015 Budget (Note 11)	2015 Actual	2014 Actual
Member Municipalities			
City of Courtenay	\$ 4,069,130	\$ 4,072,561	\$ 4,052,091
Town of Comox	1,842,825	1,847,881	1,834,183
Village of Cumberland	446,341	447,389	427,164
City of Campbell River	4,262,232	4,239,397	4,071,201
Village of Gold River	99,163	97,798	96,300
Village of Sayward	25,621	25,714	25,466
Village of Tahsis	34,017	33,530	35,610
Village of Zeballos	12,450	12,062	13,046
Electoral Areas			
Baynes Sound/Denman-Hornby Islands (Area A)	\$ 1,619,705	\$ 1,625,970	\$ 1,631,757
Lazo North (Area B)	1,162,035	1,165,377	1,138,987
Puntledge-Black Creek (Area C)	1,492,560	1,493,953	1,474,344
Kyuquot-Nootka/Sayward (Area A)	318,651	318,735	294,263
Cortes (Area B)	248,318	248,995	257,796
Discovery Islands-Mainland Inlets (Area C)	611,856	613,598	619,669
Oyster Bay-Buttle Lake (Area D)	755,096	757,040	728,122
Total Revenue from Requisitions	\$ 17,000,000	\$ 17,000,000	\$ 16,699,999

Comox-Strathcona Regional Hospital District
Schedule of Projects and Commitments
As at December 31, 2015
(Unaudited)

Project	RHD Portion Approved	Paid Prior Years	Paid 2015	Balance of Committed Funds
All Facilities				
2013 Allocation	\$ 777,250	\$ (656,021)	\$ (121,229)	\$ -
2014 Allocation	295,559	-	(295,559)	-
2015 Allocation	832,177	-	(117,084)	715,093
North Island Hospitals Project				
Comox Valley & Campbell River hospitals	240,700,000	(60,288,090)	(103,635,000)	76,776,910
Campbell River & District General Hospital				
Anesthesia machine including monitor	275,377	(213,480)	(918)	-
MIN-C-Arm Fluoroscopy Machine	90,616	(19,683)	(53,655)	-
Nurse call/duress system replacement	206,000	(2,747)	-	-
St Joseph's General Hospital				
Additional Space for clinical programs	89,800	(73,577)	(15,869)	-
Anaesthetic machines (5 machines)	325,550	(275,716)	(1,214)	48,620
Eagleview Building Envelope- Phase 1	110,000	-	(110,000)	-
Eagleview Building Envelope- Phase 1 (additional)	34,000	-	(34,000)	-
Remote Digital Rad/Flouroscopy Unit	345,120	(335,638)	-	-
Cortes Health Centre				
2015 Allocation	2,500	-	(2,500)	-
Cumberland Regional Hospital Laundry Society				
2015 Allocation	2,500	-	(2,500)	-
Gold River Health Clinic				
2015 Allocation	2,500	-	(2,500)	-
Kyuquot Health Centre				
2015 Allocation	2,500	-	(2,500)	-
Sayward Primary Healthcare Clinic				
2015 Allocation	2,500	-	(2,500)	-
Tahsis Health Centre				
2015 Allocation	2,500	-	(2,500)	-
Zeballos Health Centre				
2015 Allocation	2,500	-	(2,500)	-
Total Commitments	\$ 244,098,949	\$ (61,864,951)	\$ (104,402,029)	\$ 77,540,623